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C O N F I D E N T I A L SECTION 01 OF 02 DHAKA 001150

SIPDIS

E.O. 12958: DECL: 03/14/2015

TAGS: [ETRD](#) [EPET](#) [PGOV](#) [BG](#)

SUBJECT: BOI UPBEAT ON POSSIBLE MEGA-FOREIGN INVESTMENTS

Classified By: P/E Counselor D.C. McCullough, reason para 1.4 d.

11. (C) Summary: BOI's Rahman expressed understanding of the postponement of the Bangladesh Road Show and reiterated his support for the event. In reviewing several major foreign investment proposals, Rahman noted that Bangladesh's diversifying FDI portfolio, especially with Middle Eastern investors, gives it new commercial and political options in dealing with China and, for that matter, the U.S. and the EU. End Summary.

2 (SBU) On March 14, EconOff met with Board of Investment (BOI) Executive Chairman Mahmudur Rahman to inform him that we have reluctantly decided to postpone until September the Bangladesh Road Show, a three-city trade promotion event in the U.S. originally scheduled for May. After some initial disappointment, Rahman expressed understanding and emphasized the need for making the show a success. Delay was a price worth paying, he said, to ensure proper planning and execution. U.S. corporate buy-in and involvement is necessary to make the event a success, he observed.

13. (C) Rahman reviewed several investment projects being pursued by the BOI. According to Rahman:

-- The Dhabi Group from UAE recently visited Bangladesh to initiate discussions for a potential \$1 billion investment. It left with positive impressions and presented proposals for investment in telecommunications and hospitality. According to letters sent to BOI after the meeting, the Dhabi Group is waiting for concrete proposals from BOI to make final decisions. Rahman is optimistic about this deal and suggested that this could lead to further deals from the Middle East.

-- A Saudi business group is interested in investing \$2 billion in the oil industry. Headed by a former Deputy Minister of Labor, it is looking at building a 200,000 bpd oil refinery. The Saudi group has offered 10% equity rights in the refinery to the BDG in exchange for land rights and associated incidentals. Rahman stressed that this information is not releasable due to its premature status.

-- India's Tata Group is in the feasibility study stage of its proposed \$2 billion steel and gas project. At issue is whether there are sufficient gas reserves to power the project for the 20-year life cycle of the investment. Tata wants guaranteed supplies for 20 years, while the BDG says its proven reserves can only guarantee 15 years. Although it has 50 years of potential reserves, BDG will undertake further exploration to find enough gas to meet Tata's requirement. (Comment: The BDG already has 15-year gas supply commitments to the French cement company LeFarge and the two UK-owned AES power plants.) Tata is expected to present its issues paper to BOI by the end of April and begin negotiation of terms by May. Tata has named a Country Manager for the Tata Bangladesh project and has set-up offices in Dhaka. Group President Ratan Tata has publicly stated that he wants to break ground on the project by December 2005.

14. (C) Looking ahead to the April 7 visit by the Chinese Premier, Rahman expressed skepticism that it would lead to major new Chinese investment. The Chinese, he said, are interested in supplier credit deals that BDG no longer needs. Given Bangladesh's expanding and diversifying FDI portfolio, the BDG has much more leverage to negotiate on their own terms. (Note: During the previous Awami League (AL) government, the Chinese negotiated two supplier credit deals with the BDG that the BNP government, as part of their broader suspension of AL-era contracts, did not honor. The Chinese do not want to negotiate any further deals unless those two deals are revived.) Rahman stated that the primary's motive to negotiate with China is political and not commercial since some Bangladeshis see China as a buffer against Indian pressure.

15. (C) Comment: Mahmudur Rahman stands out as unabashedly pro-private sector and pro-FDI. Although his optimism sometimes gets the better of reality -- he claims BOI is negotiating for projects worth more than \$8 billion dollars -- he is straightforward about many of the obstacles faced by investors, particularly corruption. In his view, the BNP government's single greatest failure is corruption. He accurately characterizes the new Anti-Corruption Commission as a joke. He is right to note that the diversification of

Bangladesh's growing FDI portfolio, especially with Middle Eastern investors, gives Bangladesh new commercial and political options in dealing with China and, for that matter, the U.S. and the EU.

THOMAS